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Annual

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Report Highlights: Total MY 2001 Brazilian tobacco production is estimated at 539,500 mt, farm sales weight, down 49,500 mt from last year. The quality of the 2001 crop is considered the best in 15-20 years and with a lower alkaloid content. Prices for the 2001 crop were readjusted upward 2, 5 and 7 percent depending on quality. Total MY 2001 exports are projected at 355,000 mt, up 4 percent from last season. Brazil is very price competitive and produces a high-quality product. In November 2000, the Brazilian Senate prohibited cigarette and tobacco product advertising in the electronic and printed media. The law allows only point of sale materials to be distributed.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

São Paulo [BR3], BR

TABLE of CONTENTS

Executive Summary	1
UNMANUFACTURED TOBACCO	2
PS&D: Unmanufactured Tobacco, Total	2
PS&D: Unmanufactured Tobacco, Flue Cured	3
PS&D: Unmanufactured Tobacco, Burley	4
PS&D: Unmanufactured Tobacco, Light Air Cured	5
Production	6
Production and Crop Area	6
Inputs	8
Yields	9
Weather Patterns	10
Cost of Production	12
Prices	12
Biotechnology	14
Other	14
Consumption	14
Utilization Patterns	14
Trade	15
Exports	15
Imports	18
Stocks	18
Policy	19
MANUFACTURED TOBACCO, CIGARETTES	20
PS&D Manufactured Tobacco, Cigarettes	20
Production	20
Consumption	20
Prices	20
Trade	21
Exports	21
Imports	21
Policy	21
Marketing	22
Exchange Rate	23

Executive Summary

The total MY 2001 Brazilian unmanufactured tobacco production is estimated at 539,500 mt, farm sales weight, down 49,500 metric tons (mt) from the previous MY. The quality of the 2001 crop is considered the best in 15-20 years and resulted in a product with lower alkaloid content. Prices for the 2001 crop were readjusted upward 2, 5 and 7 percent depending on the quality of the product. Total exports for MY 2001 are projected at 355,000 mt, up 4 percent from last season. Brazil is very price competitive and produces a high-quality product. In November 2000, the Brazilian

Senate approved a law prohibiting cigarette and tobacco product related advertising in the electronic and printed media. The law allows only point of sale materials to be distributed.

UNMANUFACTURED TOBACCO**PS&D: Unmanufactured Tobacco, Total**

PSD Table						
Country	Brazil					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised1999		Preliminary2000		Forecast2001	
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	346,000	345,500	329,500	329,500	0	332,500
Beginning Stocks	162,950	162,950	214,850	212,130	252,450	266,980
Farm Sales Weight Prod	595,000	595,000	589,000	589,000	0	539,500
Dry Weight Production	498,400	498,400	493,100	493,100	0	454,900
U.S. Leaf Imports	0	0	250	900	0	500
Other Foreign Imports	2,650	2,650	2,000	6,050	0	4,500
TOTAL Imports	2,650	2,650	2,250	6,950	0	5,000
TOTAL SUPPLY	664,000	664,000	710,200	712,180	252,450	726,880
Exports	343,000	343,000	350,000	341,500	0	354,900
Dom. Leaf Consumption	103,500	106,220	105,500	96,750	0	102,050
U.S. Leaf Dom. Consum.	0	0	250	900	0	500
Other Foreign Consump.	2,650	2,650	2,000	6,050	0	4,500
TOTAL Dom. Consumption	106,150	108,870	107,750	103,700	0	107,050
TOTAL Disappearance	449,150	451,870	457,750	445,200	0	461,950
Ending Stocks	214,850	212,130	252,450	266,980	0	264,930
TOTAL DISTRIBUTION	664,000	664,000	710,200	712,180	0	726,880

PS&D: Unmanufactured Tobacco, Flue Cured

PSD Table						
Country	Brazil					
Commodity	Tobacco,Unmfg.,Flue Cured				(HA)(MT)	
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	205,500	205,500	195,000	195,000	0	202,000
Beginning Stocks	59,500	59,500	103,950	101,980	138,850	148,280
Farm Sales Weight Prod	440,000	440,000	438,000	438,000	0	410,000
Dry Weight Production	378,400	378,400	376,500	376,500	0	352,600
U.S. Leaf Imports	0	0	100	900	0	500
Other Foreign Imports	1,100	1,100	900	3,400	0	2,000
TOTAL Imports	1,100	1,100	1,000	4,300	0	2,500
TOTAL SUPPLY	439,000	439,000	481,450	482,780	138,850	503,380
Exports	272,800	272,800	279,000	274,000	0	285,000
Dom. Leaf Consumption	61,150	63,120	62,600	56,200	0	60,800
U.S. Leaf Dom. Consum.	0	0	100	900	0	500
Other Foreign Consump.	1,100	1,100	900	3,400	0	2,000
TOTAL Dom. Consumption	62,250	64,220	63,600	60,500	0	63,300
TOTAL Disappearance	335,050	337,020	342,600	334,500	0	348,300
Ending Stocks	103,950	101,980	138,850	148,280	0	155,080
TOTAL DISTRIBUTION	439,000	439,000	481,450	482,780	0	503,380

PS&D: Unmanufactured Tobacco, Burley

PSD Table						
Country	Brazil					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	58,000	57,500	52,000	52,000	0	50,000
Beginning Stocks	101,400	101,400	107,300	106,650	107,450	111,900
Farm Sales Weight Prod	100,000	100,000	95,000	95,000	0	87,000
Dry Weight Production	85,000	85,000	80,750	80,750	0	73,950
U.S. Leaf Imports	0	0	50	0	0	0
Other Foreign Imports	250	250	100	600	0	500
TOTAL Imports	250	250	150	600	0	500
TOTAL SUPPLY	186,650	186,650	188,200	188,000	107,450	186,350
Exports	59,000	59,000	60,000	57,000	0	59,000
Dom. Leaf Consumption	20,100	20,750	20,600	18,500	0	20,000
U.S. Leaf Dom. Consum.	0	0	50	0	0	0
Other Foreign Consump.	250	250	100	600	0	500
TOTAL Dom. Consumption	20,350	21,000	20,750	19,100	0	20,500
TOTAL Disappearance	79,350	80,000	80,750	76,100	0	79,500
Ending Stocks	107,300	106,650	107,450	111,900	0	106,850
TOTAL DISTRIBUTION	186,650	186,650	188,200	188,000	0	186,350

PS&D: Unmanufactured Tobacco, Light Air Cured

PSD Table						
Country	Brazil					
Commodity	Unmfg., Light Air Cured				(HA)(MT)	
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	3,000	3,000	3,000	3,000	0	4,000
Beginning Stocks	400	400	1,900	1,900	4,250	1,050
Farm Sales Weight Prod	6,000	6,000	7,000	7,000	0	7,000
Dry Weight Production	5,100	5,100	5,950	5,950	0	5,950
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	5,500	5,500	7,850	7,850	4,250	7,000
Exports	900	1,000	900	4,500	0	4,400
Dom. Leaf Consumption	2,700	2,600	2,700	2,300	0	2,500
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	2,700	2,600	2,700	2,300	0	2,500
TOTAL Disappearance	3,600	3,600	3,600	6,800	0	6,900
Ending Stocks	1,900	1,900	4,250	1,050	0	100
TOTAL DISTRIBUTION	5,500	5,500	7,850	7,850	0	7,000

Production

Production and Crop Area

The Agricultural Trade Office (ATO)/São Paulo estimates total marketing year (MY) 2001 (Jan-Dec) Brazilian unmanufactured tobacco production at 539,500 metric tons (mt), farm sales weight (FSW), down 8 percent from last season. The southern region contributed 504,000 mt, down 36,000 mt from last crop, whereas the remainder came from the northeast. Total tobacco area for MY 2001 is estimated at 332,500 hectares (ha.), down 3,000 ha. from MY 2000, due to a reported decrease in **area for** the northeast.

In spite of a slight increase in area planted to tobacco in the southern region, up 2 percent from last year, 2001 crop yields were down from the record yields realized the previous two seasons. Nevertheless, regular weather conditions prevailed throughout the season and 2001 crop yields were considered good (see Yields). Concurrently, the quality of the 2001 crop is considered the best in 15-20 years. Producers were able to harvest a lighter product with lower alkaloids content, meeting the needs of international buyers. Many factors contributed to the superior quality of 2001 crop tobacco, including favorable weather, good crop management, the use of lower volumes of nitrogen, higher plant density, adequate pruning, and timely planting and harvesting periods. The harvest finished in March/April and marketing of the product is virtually over.

No industry forecast has yet been done for the MY 2002 southern crop. Post contacts report, however, that a 10 to 15 percent increase in area is likely next crop. Tobacco companies and growers are encouraged by the good market results this season. Producers are currently producing the seedling for the coming season crop to be planted within the next couple of months. The table below indicates Brazilian tobacco production estimates for MY 1999, 2000 and 2001 for southern and northeastern Brazil.

Total Brazilian Tobacco Area and Production (1,000 ha, 1,000 mt, FSW)						
Region/Type	Area			Production		
	1999	2000	2001	1999	2000	2001
South Brazil	266.0	250.0	256.0	546.0	540.0	504
Flue Cured, Virginia	205.5	195.0	202.0	440.0	438.0	410
Burley	57.5	52.0	50.0	100.0	95.0	87
Light Air Cured	3.0	3.0	4.0	6.0	7.0	7
Northeast Brazil	79.5	79.5	76.5	49.0	49.0	35.5
Total Brazil	345.5	329.5	332.5	595.0	589.0	539.5

Source: ATO/São Paulo

Final figures for the number of tobacco growers and curing barns in southern Brazil, as reported by the Brazilian Tobacco Growers Association (AFUBRA), follow. Note that the number of growers eligible to plant tobacco for the 2000/01 crop in the integrated system adopted by local tobacco processing companies remained stable. This system reflects the partnership between growers and tobacco companies, in which the companies provide producers with seeds and other production inputs and supplies, and facilitate financing. The reduction in the number of tobacco growers during the past two seasons is due to the tobacco companies planning strategies, which set the area to be cultivated for each season based on projected requirements, and their selection of the better growers to participate.

Number of Tobacco Producers and Curing Barns, South Brazil						
Type / Crop	Producers			Barns		
	1998/99	1999/2000	2000/01	1998/99	1999/2000	2000/01
Rio Grande do Sul	71,260	67,940	68,280	66,460	66,960	68,960
VI	54,080	54,110	54,350	66,460	66,960	68,960
BY	15,850	12,790	12,810	--	--	--
CO	1,330	1,040	1,120	--	--	--
Santa Catarina	56,970	47,560	47,170	39,510	34,320	36,460
VI	31,580	28,230	28,390	39,510	34,320	36,460
BY	24,040	17,640	17,350	--	--	--
CO	1,350	1,690	1,430	--	--	--
Paraná	21,840	19,350	19,480	12,790	11,360	11,760
VI	11,380	10,780	10,740	12,790	11,360	11,760
BY	9,570	7,390	7,350	--	--	--
CO	890	1,180	1,390	--	--	--
South Brazil	150,070	134,850	134,930	118,760	112,640	117,180
VI	97,040	93,120	93,480	118,760	112,640	117,180
BY	49,460	37,820	37,510	--	--	--
CO	3,570	3,910	3,940	--	--	--

Source: Brazilian Tobacco Growers Association (AFUBRA)

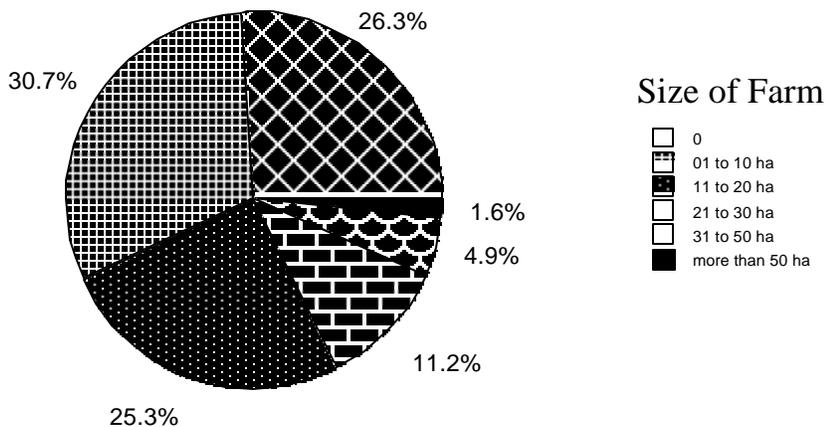
Note: VI - Flue Cured Virginia, BY - Burley, CO - Galpão Comum.

The average area planted to tobacco on a southern farm for the 2000/01 crop remained stable at 2.6 ha., as reported by the AFUBRA survey, representing approximately 15.5 percent of the total area of the farm. The table below shows the patterns of land utilization on a typical farm in southern Brazil. All other activities are mainly for family subsistence. The survey, as shown below, also points out the number of tobacco growers by size of farm, reflecting that the tobacco crop is planted mainly by small growers. According to the results, 26.3 percent of growers do not have a property of their own, and 30.7 percent have fewer than 10 ha.

Average Farm Size and Crop Area, South Brazil, 2000/01 crop.		
Specification	Area (ha.)	%
Tobacco	2.6	15.5
Annual crops	4.2	25.0
Grazing area	3.2	19.0
Forestry	4.8	28.6
Other	2	11.9
Total	16.8	100.0

Source: Brazilian Tobacco Growers Association (AFUBRA)

Tobacco Producers by Size of Farm, 2000/01 Crop



Source: AFUBRA

Inputs

The level of input utilization for the southern 2000/01 crop remained at normal levels, except for the lower volume of nitrogen to control alkaloid content in nicotine. According to a survey conducted by the Brazilian Tobacco Trade Association (SINDIFUMO), the level of pesticide use has steadily decreased. The tables below show the amount of active ingredient (kilogram) used per hectare during the mid-nineties, 2000 and the target for 2003 being pursued by tobacco companies. The utilization of methyl bromide (Brometo de Metila) is expected to end by 2003.

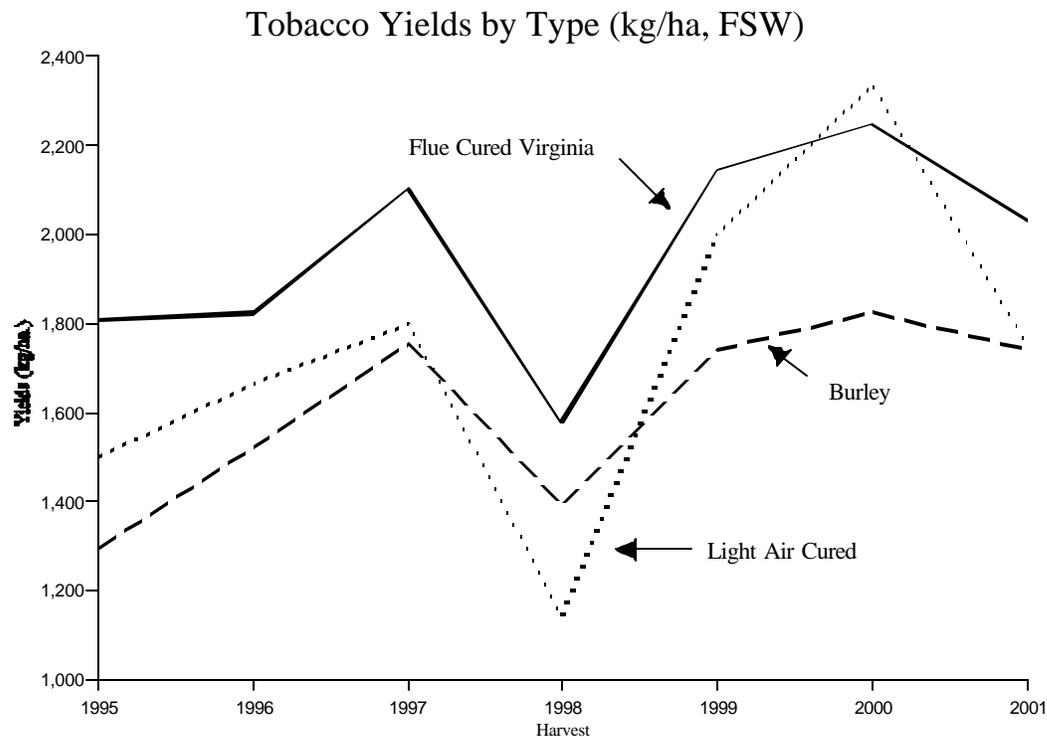
Pesticide and Herbicide Utilization (active ingredient, kg/ha.)			
	mid-1990's	2000	2003
Insecticide	1.97	0.81	0.25
Herbicide	0.20	0.21	0.36
Suckercide	0.37	0.30	0.19
Total	2.54	1.32	0.80
Source: SINDIFUMO			

Pesticides Utilization (active ingredient, kg/ha.)			
	mid-1990's	2000	2003
Soil fumigate	2.90	0.46	--
Fungicide	0.23	0.27	0.03
Insecticide	0.04	0.02	--
Total	3.17	0.75	0.03
Source: SINDIFUMO			

Yields

Tobacco yields for southern and northeastern Brazil, as well as tobacco yields by variety planted in the south, follow. Tobacco yields for the 2001 southern harvest are estimated at 1,969 kg/ha., down 9 percent from the record yield obtained last year.

Tobacco Yields, South and Northeast Region (kg/ha, FSW)		
Harvest	South	Northeast
1995	1700	946
1996	1,758	746
1997	2,023	608
1998	1,527	528
1999	2,053	616
2000	2,160	616
2001	1,969	464



Weather Patterns

The tables below show rainfall and temperature data as reported by AFUBRA for the Santa Cruz do Sul region, one of the major tobacco producing regions in the southern Brazil state of Rio Grande do Sul (RS).

Rainfall Data - Santa Cruz do Sul, RS (mm)				
Month	1999	2000	2001	Avg 1975-00
January	165	122.0	238.0	146.6
February	188	108.0	205.0	137.9
March	42	236.0	177.0	127.0
April	168	132.0	289.0	156.8
May	182.0	132.0	31.0	121.8
June	132.0	309.0	--	171.1
July	241.0	125.5	--	167.6
August	84.5	116.5	--	142.6
September	171.0	175.0	--	164.3
October	201.0	207.0	--	164.4
November	106.0	184.0	--	158.7
December	118.0	97.0	--	141.0
Total	1,798.5	1,944.0	940.0	1,799.8

Source: Brazilian Tobacco Growers Association (AFUBRA)
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Temperature Data - Santa Cruz do Sul, RS (degree Celsius)												
Month	1999			2000			2001			Average 1975-2000		
	Max	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max	Min	Avg
January	36.1	21.9	29.0	32.0	21.8	26.9	29.5	21.9	25.7	32.7	20.6	26.6
February	30.3	20.8	25.6	31.2	21.0	26.1	31.5	23.7	27.6	32.0	20.4	26.2
March	32.6	22.7	27.7	28.1	19.5	23.8	32.1	23.4	27.8	30.4	18.9	24.7
April	23.7	16.8	20.3	26.3	18.4	22.4	26.7	18.7	22.7	26.6	15.7	21.2
May	22.2	13.7	18.0	22.5	13.7	18.1	21.4	14.3	17.9	22.9	12.2	17.6
June	19.1	11.0	15.0	20.8	14.1	17.5	--	--	--	20.2	9.8	15.0
July	17.8	11.4	14.6	15.2	8.8	12.0	--	--	--	19.9	10.0	15.0
August	21.9	12.8	17.4	19.9	12.7	16.3	--	--	--	21.4	11.0	16.2
September	23.4	15.0	19.2	20.1	14.2	17.2	--	--	--	23.1	12.7	17.9
October	23.5	15.7	19.6	23.3	17.6	20.5	--	--	--	26.4	15.4	20.9
November	28.0	17.5	22.8	26.6	18.3	22.5	--	--	--	29.1	17.4	23.3
December	30.8	20.8	25.8	29.3	20.7	25.0	--	--	--	31.7	19.3	25.5
Total	25.1	16.2	20.6	24.6	16.7	20.7	28.2	20.4	24.3	26.4	15.3	20.8

Source: Brazilian Tobacco Growers Association (AFUBRA)
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Cost of Production

The cost of production breakdown in dollar-terms for MY 2000 and 2001 for flue cured Virginia follows. Total 2001 dollar costs dropped 9 percent compared to 2000 due to the steady devaluation of the local currency, the Real. Prices in Reais remained stable for both crops.

Estimated Production Costs, Flue Cured Virginia (US\$/ha)			
Item	1999/2000	2000/2001	Change %
Variable Costs	1,591.53	1,436.27	(9.76)
Labor	898.0	791.5	(11.86)
Livestock	21.9	21.5	(1.96)
Machinery & Implement	23.5	22.2	(5.90)
Infrastructure	25.4	23.8	(6.10)
Inputs	383.0	351.1	(8.31)
Firewood	131.8	120.7	(8.44)
Production Insurance	56.5	54.8	(2.99)
Funrural (Social Tax)	48.0	47.2	(1.67)
Electric Energy	3.4	3.5	2.05
Fixed Costs	149.52	146.85	(1.79)
Liming	10.2	9.6	(6.46)
Depreciation			
Machinery/Livestock	24.0	27.9	16.17
Implement	54.0	51.6	(4.50)
Infrastructure	61.3	57.8	(5.65)
Total Costs	1,741.05	1,583.12	(9.07)
Assumed yield (Kg/ha)	2,026	2,050	1.18
Ave. Variable Cost (US\$/Kg)	0.79	0.70	(10.81)
Ave. Total Cost (US\$/Kg)	0.86	0.77	(10.14)
Source: Brazilian Tobacco Growers Association (AFUBRA)			
ROE: R\$1.95/US\$ (10/31/99) for 1999/2000 crop, R\$2.15/US\$ (03/31/01) for 2000/2001.			

Prices

Tobacco prices were up 2, 5 and 7 percent for the 2001 crop as a result of the price negotiations between growers and tobacco processors. The increases are in local currency terms, in relation to last season. The higher increase was given to higher quality types of tobacco. Tobacco prices by grade for MY 2001 and average prices received by producers for MY 2000 and 2001 follow. Note that the average price in dollar terms, received by producers remained

stable for the past two seasons, whereas prices for 2001 in Reais increased approximately 25 percent compared to previous crop.

Producer Prices for South Tobacco by Grade - 2001.						
Grade	Virginia		Virginia		Burley	Comum
	US\$/Kg	Grade	US\$/Kg	Grade	US\$/Kg	US\$/Kg
T01	1.31	CL1	1.05	T1	1.16	
T02	1.10	CL2	0.85	T2	1.01	0.55
T03	0.94	CL3	0.55	T2L	0.80	0.54
TR1	1.01	CR1	0.93	T3	0.73	
TR2	0.70	CR2	0.66	T3K	0.64	
TR3	0.41	CR3	0.42	TK	0.47	0.39
TL1	0.86	C2K	0.53	B1	1.20	
TL2	0.66	C3K	0.30	B1L	1.09	
TL3	0.38	X01	1.16	B2	1.04	0.68
TK2	0.50	X02	0.97	B2L	0.90	0.67
TK3	0.28	X03	0.80	B3	0.82	0.55
B01	1.38	XL1	0.93	B3L	0.68	0.53
B02	1.19	XL2	0.75	BK	0.59	0.46
B03	0.96	XL3	0.45	C1	1.19	
BR1	1.07	XR1	0.87	C1L	1.08	
BR2	0.78	XR2	0.53	C2	1.04	0.78
BR3	0.53	XR3	0.32	C2L	0.91	0.76
BL1	1.05	X2K	0.39	C3	0.80	0.65
BL2	0.85	X3K	0.25	C3L	0.66	0.61
BL3	0.53	G2	0.50	CK	0.59	0.50
B2K	0.66	G3	0.13	X1	1.09	
B3K	0.33	SC	0.13	X1L	1.05	
C01	1.33	ST	0.08	X2	0.93	0.62
C02	1.15			X2L	0.87	0.59
C03	0.93			X3	0.73	
				X3L	0.66	
				XK	0.53	0.42
				N	0.21	0.22
				G	0.09	0.15

Source: Brazilian Tobacco Growers Association (AFUBRA)
Note: ROE: R\$2.15/US\$ (03/31/01)

Average South Tobacco Producer Prices by Type (US\$/kg)			
Type	2000	2001	% CHNG
Flue-cured Virginia	1.17	1.20	2.6
Burley	1.09	1.05	(3.7)
Light air-cured (Galpão)	0.76	0.67	(11.8)
Average Price	1.15	1.16	0.9
Source: Brazilian Tobacco Growers Association (AFUBRA)			
Note: ROE: R\$1.74/US\$ (03/31/00) and R\$2.15/US\$ (03/31/01)			

Biotechnology

Profigen do Brasil Ltda. is the major tobacco seed company in the country, although varieties development programs are also being conducted by some major processing companies. According to industry contacts, none of the companies doing variety development has conducted transgenic research in the past 2 years. No transgenic tobacco varieties are approved for commercial use in Brazil. See BR1601 for the current status of the biotech situation in Brazil.

Other

Farm sales weight (FSW) data in this report are converted to dry weight based on the following conversion factors.

Type	%
Flue cured	86
Burley/Light air cured	85
Cigar leaf	80
Dark cigarette Leaf/Twist	60

Consumption

Total MY 1999 unmanufactured consumption has been adjusted upward to 108,870 mt, up 3 percent from the previous estimate, due to revised cigarette production. Total MY 2001 unmanufactured tobacco consumption is estimated at 107,050 mt, up 3 percent from MY 2000, due to an estimated increase in cigarette production. Note that tobacco consumption data in this report are based on cigarette production plus an estimate for twist tobacco and cigars. The conversion factor used is 0.8 grams of unmanufactured tobacco per cigarette produced.

Utilization Patterns

Flue cured and light air cured tobaccos are used to manufacture most cigarettes in Brazil. Burley is used mainly in blends to improve the taste of domestic cigarettes.

Trade

Exports

ATO/São Paulo estimates total MY 2000 (Jan-Dec) Brazilian unmanufactured tobacco exports at 341,500 mt, based on information provided by the Brazilian Secretariat of Foreign Trade (SECEX). Total unmanufactured tobacco exports for MY 2001 are projected at 355,000 mt, up 4 percent from last season. According to industry contacts, Brazil is very price competitive and produces a high quality product which meets international demand. In addition, political problems in Zimbabwe, higher costs associated with U.S. production, and the relative balance between the international supply and demand are factors supporting increased Brazilian exports. Brazil has also started to export to new markets, such as Turkey. The average export price for 2001 is approximately 7 percent higher than 2000 (US\$2.52/kg.). The tables below show total unmanufactured tobacco exports for MY 1999 and 2000 (Jan-Dec) and 2000 and 2001 (Jan-Apr), by type of product (see Policy for NCM descriptions) and by country of destination as reported by SECEX.

Unmanufactured Tobacco Exports (MT, 1,000 US\$ FOB)								
Category	1999		2000		2000 1/		2001 1/	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
24011010	122	918	0	0	0	0	0	0
24011020	467	2,595	1,146	6,928	142	599	129	1,384
24011030	17,177	40,804	15,690	33,394	2,290	5,053	678	1,550
24011040	767	1,521	40	102	0	0	0	0
24011090	11,564	26,756	7,280	15,500	2,140	4,385	4,937	6,931
24012010	103	1,871	0	0	0	0	0	0
24012020	0	0	155	639	112	331	142	421
24012030	189,949	629,590	201,224	581,140	36,834	102,618	53,961	138,447
24012040	43,459	143,767	48,581	138,401	10,672	28,609	12,934	33,822
24012090	2,175	6,937	2,197	5,048	441	1,041	1,183	3,094
24013000	77,246	37,927	65,175	31,769	16,047	8,401	25,997	10,482
Total	343,029	892,687	341,488	812,921	68,679	151,038	99,960	196,133

Source: Brazilian Secretariat of Foreign Trade (SECEX)
1/ Jan-Apr

Unmanufactured Tobacco Exports (MT, 1,000 US\$ FOB)				
Not stemmed, leaf, flue cured Virginia (NCM 2401.10.30)				
Destination	1999		2000	
	Quantity	Value	Quantity	Value
Netherlands	6,791	16,028	2,683	5,606
Uruguay	2,675	5,101	4,357	7,664
South Africa	1,289	2,945	1,303	2,668
Belgium	1,507	3,387	779	1,820
Norway	1,046	4,139	676	2,307
Morocco	575	1,479	99	186
Australia	175	513	46	107
Vietnam	212	551	442	1,017
Paraguay	160	406	660	1,574
China	2,325	5,173	3,811	8,441
United States	0	0	40	96
Others	422		794	1,907
Total	17,177	40,804	15,690	33,394

Source: Brazilian Secretariat of Foreign Trade (SECEX)

Unmanufactured Tobacco Exports (MT, 1,000 US\$ FOB)				
Partly/wholly stemmed, leaf, flue cured Virginia (NCM 2401.20.30)				
Destination	1999		2000	
	Quantity	Value	Quantity	Value
United States	23,507	79,114	27,101	77,150
Germany	32,186	106,743	27,879	84,462
UK	17,890	63,250	11,063	31,887
Japan	12,184	48,246	10,948	39,763
Netherlands	9,029	27,434	6,847	20,247
Russia	1,881	7,408	7,398	19,530
Belgium	9,148	33,627	9,290	27,331
Italy	6,469	20,907	3,360	10,204
Poland	4,324	14,377	2,782	7,531
Philippines	3,878	15,058	10,650	27,333
China	10,520	32,987	12,550	40,847
Others	58,933	180,441	71,357	194,854
Total	189,949	629,590	201,224	581,140

Source: Brazilian Secretariat of Foreign Trade (SECEX)

Unmanufactured Tobacco Exports (MT, 1,000 US\$ FOB) Partly/wholly stemmed, leaf, Burley (NCM 2401.20.40)				
Destination	1999		2000	
	Quantity	Value	Quantity	Value
United States	12,192	42,836	13,435	37,325
Germany	8,708	26,046	8,479	25,316
Japan	2,720	10,401	2,774	9,599
Mexico	2,580	7,933	3,231	9,530
Netherlands	2,255	7,040	944	2,810
Spain	1,870	5,874	3,945	11,436
Belgium	2,965	12,040	5,701	14,089
Poland	1,340	4,826	1,206	2,848
Russia	662	1,521	75	194
UK	665	2,330	581	1,641
Paraguay	730	2,123	623	1,728
Others	6,772	20,797	7,586	21,884
Total	43,459	143,767	48,581	138,401

Source: Brazilian Secretariat of Foreign Trade (SECEX)

Unmanufactured Tobacco Exports (MT, 1,000 US\$ FOB) Tobacco Refuse/Waste (NCM 2401.30.00)				
Destination	1999		2000	
	Quantity	Value	Quantity	Value
United States	22,993	6,909	12,087	1,075
Germany	12,337	6,768	5,956	3,126
UK	11,112	6,473	5,086	2,810
Japan	3,610	2,573	3,633	2,218
Venezuela	2,109	516	1,486	455
Argentina	2,121	804	936	400
France	1,874	1,836	1,312	1,022
Belgium	1,796	974	1,556	735
Russia	2,610	1,039	6,381	2,541
Netherlands	1,588	810	332	203
Paraguay	1,617	881	2,170	1,165
Others	13,479	8,343	24,240	16,009

Total	77,246	37,927	65,175	31,759
Source: Brazilian Secretariat of Foreign Trade (SECEX)				

Imports

Total Brazilian tobacco imports for MY 2000, at 6,900 mt, are up 4,300 mt from last year, according to SECEX. Brazilian unmanufactured tobacco imports for MY 1999 and 2000 (Jan-Dec) and 2000 and 2001 (Jan-Apr), by type of product (see Policy for NCM descriptions) follow.

Unmanufactured Tobacco Imports (MT, 1,000 US\$ FOB)								
Category	1999		2000		2000 1/		2001 1/	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
24011010	0	0	4	37	0	0	0	0
24011020	0	0	0	13	0	13	0	0
24011030	0	0	1,747	2,781	80	132	554	574
24011040	9	24	27	66	0	0	27	66
24011090	277	362	726	1,578	202	394	1,617	6,344
24012010	0	0	0	0	0	0	0	0
24012020	0	0	0	0	0	0	0	0
24012030	1,098	2,142	2,542	4,929	177	442	842	2,138
24012040	248	879	587	1,802	0	0	62	273
24012090	754	2,010	463	1,762	455	1,740	0	0
24013000	261	117	846	207	188	85	1,046	156
Total	2,646	5,533	6,942	13,175	1,101	2,807	4,149	9,550
Source: Brazilian Secretariat of Foreign Trade (SECEX)								
1/ Jan-Apr								

Stocks

Unmanufactured ending stocks for MY 2001 are projected at 264,930 mt, down 2,050 mt from revised MY 2000 stocks. Actual stock data are not available.

Policy

Last year, the Brazilian Government created the National Commission for Tobacco Control, an interministerial commission to discuss any issue related to tobacco and its products, and to represent the country at the World Health Organization. The commission is comprised of representatives of the following Ministries: Health, International Affairs, Agriculture, Justice, Education, Labor, Development, Industry and Commerce, and Treasury.

According to Government of Brazil (GOB) decree No. 3,704 announced December 27, 2000, the Common External Tariff (TEC) applied to imported unmanufactured tobacco decreased by 0.5 percentage point. The MERCOSUL Common External Tariff Schedule follows. MERCOSUL represents a trade pact among Brazil, Argentina, Uruguay and Paraguay.

Brazilian Unmanufactured Tobacco - Common External Tariffs		
NCM	Description	Tariff
	Not stemmed, leaf	
2401.10.10	Not dried/fermented	16.5
2401.10.20	Wrapper, dried/ferm.	16.5
2401.10.30	Dried, Flue cured, Virginia type	16.5
2401.10.40	Dried, volatile content over 0.2%	12.5
2401.10.90	Others	16.5
	Partly/Wholly stemmed, leaf	
2401.20.10	Not dried/fermented	16.5
2401.20.20	Wrapper, dried/ferm.	16.5
2401.20.30	Dried, Virginia type	16.5
2401.20.40	Dried, Burley type	16.5
2401.20.90	Other	16.5
2401.30.00	Tobacco refuse	16.5

Source: Brazilian Secretariat of Foreign Trade (SECEX)

MANUFACTURED TOBACCO, CIGARETTES

PS&D Manufactured Tobacco, Cigarettes

PSD Table						
Country	Brazil					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised1999		Preliminary2000		Forecast2001	
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Filter Production	108,000	111,400	110,000	104,900	0	110,400
Non-Filter Production	0	0	0	0	0	0
TOTAL Production	108,000	111,400	110,000	104,900	0	110,400
Imports	0	0	0	0	0	0
TOTAL SUPPLY	108,000	111,400	110,000	104,900	0	110,400
Exports	6,300	6,300	6,000	700	0	1,000
Domestic Consumption	101,700	105,100	104,000	104,200	0	109,400
TOTAL DISTRIBUTION	108,000	111,400	110,000	104,900	0	110,400

Production

The MY 1999 Brazilian cigarette production estimate has been revised upward to 111.4 billion pieces (BP), based on updated information from trade sources. Brazilian cigarette production for MY 2001 is projected at 110.4 BP, up 5 percent from revised MY 2000 production.

Consumption

ATO/São Paulo estimates MY 2000 Brazilian cigarette consumption at 104.2 BP, according to information provided by post contacts. Cigarette consumption for MY 2001 is forecast at 109.4 BP, a 5 percent increase compared to the previous MY. Contraband cigarettes, especially from Paraguay, which are marketed locally at significant lower prices, represent a major concern and competition for Brazilian cigarette companies' local sales. According to the tobacco industry, approximately 37 percent of the actual domestic consumption for MY 2000 resulted from contraband cigarettes.

Prices

Retail cigarette prices per pack of 20 pieces vary between R\$1.00 and 2.75 for Souza Cruz (British American Tobacco) and R\$1.00 and 2.50 for Philip Morris, depending on the brand. The companies readjusted prices

December 11, 2000 and April 16, 2001, respectively.

Trade

Exports

According to SECEX, total cigarette exports for MY 2000 are estimated at 700 million pieces, down 5.6 BP from previous year. Total cigarette exports for MY 2001 are projected at 1 BP. The sharp decrease in cigarette exports is a result of the 150 percent tax imposed on exports to inhibit cigarettes exported to Paraguay and Uruguay from being clandestinely moved back to Brazil for tax-free resale. Total manufactured tobacco exports for MY 1999 and 2000 by country of destination as reported by SECEX follow.

Cigarettes (NCM 2402.20.00)				
Destination	1999		2000	
	Units	Value	Units	Value
United States	63	679	233	2,009
Belgium	2,316	18,439	152	1,211
Russia	736	5,830	--	--
Paraguay	540	3,702	--	--
Bolivia	512	4,194	--	--
Uruguay	419	3,612	--	--
Finland	332	2,271	9	55
Australia	231	1,500	0	0
South Africa	190	1,292	94	692
Israel	128	971	21	123
Madeira Islands	229	2,668	24	187
Others	611	4,268	178	1,509
Total	6,305	49,426	710	5,787

Source: Brazilian Secretariat of Foreign Trade (SECEX)

Imports

According to data provided by SECEX, cigarette imports for 2000 were 207.4 million pieces, up 2.2 million pieces compared to 1999.

Policy

According to the Government of Brazil (GOB) decree No. 3,704 announced December 27, 2000, the Common External Tariff (TEC) applied to imported manufactured tobacco decreased by 0.5 percentage point. The

MERCOSUL Common External Tariff Schedule follows. MERCOSUL represents a trade pact among Brazil, Argentina, Uruguay and Paraguay.

Brazilian Manufactured Tobacco - Common External Tariffs		
NCM	Description	Tariff
2402.10.00	Cigars and Cigarillos	22.5
2402.20.00	Cigarettes	22.5
2402.90.00	Others	22.5
Source: Brazilian secretariat of Foreign Trade (SECEX)		

Marketing

Taxes applied to cigarettes marketed in the domestic market follow.

Taxes Applied to Cigarettes	
Item	%
Manufactured Product Tax (IPI) 1/	33.17
Domestic Interstate Movement Tax - Industry (ICMS)	22.18
Domestic Interstate Movement Tax - Retail (ICMS)	2.82
Control Seal	2.94
COFINS	3.54
Social Insurance (PIS)	0.90
Total Taxes	65.55
Industry Mark-Up	26.00
Retail Mark-Up	8.45
1/ Average Tax	100.00
Note that IPI varies from 31.82 to 35 percent, depending on the type of cigarette.	
Source: Tobacco Industry Syndicate (SINDIFUMO)	

On November 21, 2000, the Brazilian Senate approved a law prohibiting cigarette and tobacco products related advertisement in the electronic or print media. The law allows only point of sale materials to be distributed. Effective in 2003, cigarette companies will no longer be allowed to sponsor cultural and sport events (such as musical festival and car racing). The law forbids marketing of such products in health and educational institutions and the distribution of any cigarette or tobacco samples to the public.

Exchange Rate

Exchange Rate (R\$/US\$1.00 – official rate, last day of period)					
Month	1997	1998	1999	2000	2001
January	1.05	1.12	1.92	1.80	1.97
February	1.05	1.13	2.03	1.77	2.04
March	1.06	1.14	1.77	1.75	2.16
April	1.06	1.14	1.66	1.81	2.22
May	1.07	1.15	1.72	1.82	2.36
June	1.08	1.16	1.77	1.80	2.30
July	1.08	1.16	1.79	1.78	--
August	1.09	1.18	1.81	1.82	--
September	1.10	1.19	1.92	1.84	--
October	1.10	1.19	1.95	1.91	--
November	1.11	1.20	1.92	1.98	--
December	1.12	1.21	1.79	1.96	--

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